

U.S. DEPARTMENT OF ENERGY  
ALBUQUERQUE OPERATIONS OFFICE

WORK FORCE RESTRUCTURING PLAN

for the

KANSAS CITY PLANT



1998

**POLICY ON FUNDING ENHANCED SEPARATION BENEFITS**

The ability of the Department of Energy to provide the benefits described herein, beyond those required under contract or a collective-bargaining agreement, is dependent upon sufficient funding in current and future appropriations being available to the Department's Office of Worker and Community Transition to fund these benefits for displaced workers.

Previously, these benefit costs were reimbursed by operating program accounts at sites not primarily funded through the Defense Programs Account. However, section 304 of the Fiscal Year 1998 and 1999 Energy and Water Development Appropriations Acts provides that none of the funds appropriated by that Act or any prior appropriations Act may be used to augment funds provided to the Office of Worker and Community Transition account for severance payments or other benefits and community assistance grants under section 3161 of the National Defense Authorization Act for Fiscal Year 1993. The accompanying statement of managers in the conference report for this appropriation states that no other departmental funds are to be used to provide enhanced severance payments and other benefits.

In these circumstances, the Department has revised its financial policy for funding enhanced separation benefits to reflect the Congressional direction. The Office of Worker and Community Transition issued guidance to Department Field Offices in March 1998, which defines the benefits that this policy covers and establishes procedures for reviewing requests from Field Offices to fund enhanced benefits under work force restructuring plans. Enhanced benefits under this policy include the incremental cost of voluntary separation programs above normal severance practices, as well as education, relocation and outplacement assistance.

This new policy guidance establishes criteria for allocating the limited resources available for these benefits, and may affect which enhanced benefits are offered under this plan in the event of future work force restructuring at the Kansas City Plant. Prior to implementing any program including enhanced benefits, the Albuquerque Operations Office (DOE-AL), which is responsible for the preparation of this Plan, will submit to the Office of Worker and Community Transition an estimate of the number of participants in, and the costs associated with, a proposed benefit offering. Provision of funding for those benefits will be determined by the Office of Worker and Community Transition in consultation with DOE-AL.

Voluntary reduction-in-force (VRIF) programs implemented prior to the date of this Plan provided separation incentive pay for employees selected for participation. In designing any future VRIF programs, the allocation of funds to mitigate the impact of restructuring on workers will be weighed against program responsibilities and economic development opportunities consistent with the new funding policy of the Office of Worker and Community Transition. No standardized allocation of funds is contemplated, as it is highly unlikely that the needs of any two work forces and communities undergoing work force restructuring would be the same. All benefits are subject to the availability of appropriated funds.

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**NOTE:**

There is no guarantee that any subsequent programs will offer benefits equal to these, nor is it the intent of the US Department of Energy in implementing this plan to create any private rights of action or to create any rights in third parties. All benefits are subject to the availability of appropriated funds. The Department of Energy expressly reserves the right to make changes in this plan as circumstances dictate.

# Introduction

The National Defense Authorization Act for Fiscal Year 1993 (Public Law 102-484) (the Act), section 3161, requires the Secretary of Energy to develop and deliver to Congress a plan for restructuring the work force for a defense nuclear facility whenever a change in the work force at that facility is determined to be necessary. Work Force Restructuring Plans are intended to mitigate the adverse impact on employees and communities affected by downsizing at Department of Energy (DOE) sites.

This Work Force Restructuring Plan for the Kansas City Plant (KCP) is submitted by the Albuquerque Operations Office (DOE/AL) pursuant to section 3161 of the Act. This plan will be updated annually as required by section 3161 and supplemented as significant work force changes dictate.

A draft of this Plan was available for stakeholder review and comment at the KCP, 2000 E. 95th Street, and at the Blue Ridge Branch of the Mid-Continent Public Library, 9253 Blue Ridge Boulevard, in Kansas City, Missouri. The draft was also available on the Department of Energy (DOE) Kansas City Area Office and AlliedSignal Federal Manufacturing & Technologies home pages on the Internet. A summary of the draft Plan was distributed to all KCP employees. In addition, copies of the draft were available for all KCP employees in the KCP Technical Information Center (internal library), Office of Personnel Administration, Public Affairs Office and other key locations throughout the KCP. Copies could also be obtained by telephone request. Stakeholders had until the close of business on July 18, 1997, to provide written comments to the DOE.

# Background

The DOE has contracted with AlliedSignal Inc., Federal Manufacturing & Technologies (FM&T) (current Contract No. DE-AC04-76DP00613), to operate the KCP in support of the nation's defense since 1949. The KCP is responsible for the development and procurement of nonnuclear components for the nation's nuclear weapons program. FM&T operates sites for the DOE in Kansas City, Missouri, and also in Albuquerque and Los Alamos, New Mexico.

With the end of the Cold War, the emphasis of the United States nuclear weapons program has shifted dramatically from developing and producing new weapons to dismantlement and maintenance of a smaller, enduring stockpile. In accordance with national security policy, including the Strategic Arms Reduction Treaties, the nuclear weapons stockpile is being significantly reduced. As a result, the DOE closed some of its former weapons facilities, transferred many of the production missions to the KCP, and began moving other selected production operations to the DOE's national laboratories.

Subsequently, studies were conducted in support of the Stockpile Stewardship and Management Programmatic Environmental Impact Statement (SSMPEIS) which resulted in the selection of a downsized KCP as the preferred site for the continued manufacturing of nonnuclear components for nuclear weapons because KCP was more efficient and more cost effective than the other alternatives. The SSMPEIS was signed by the Secretary of Energy on November 12, 1996, and the Record of Decision was signed on December 19, 1996.

Work force planning at KCP is based on facility and workload planning, and its associated work force projections, by the DOE and FM&T. These Plans are adjusted annually as the workload is better defined. The Plan for the future of the KCP projects a smaller physical plant than the one in operation at the end of FY 1997 and a gradual downsizing of the work force. Under the original 1994 Plan, manpower reductions would not have begun until 1999 and would have been completed in 2004. However, as the plant workload and associated plant budget were developed for FY 1998, it became apparent that greater and earlier than anticipated work force reductions would be necessary to align workload and associated employment levels. (This reduction-in-force did not apply to employees who report to the New Mexico sites.) Thus, the reductions began in the summer of 1997 and are expected to continue into 2006.

## **Strategy**

Future plans for the organizational structure at the KCP depart from traditional functional structures in place at most industrial plants. Implementation of a new business structure which focuses on performing the core mission of nonnuclear manufacturing began in June 1995 with the formation of three business units centered around electronics, mechanical, and engineered materials factories.

The KCP has initiated an industrial standards program that decreases operational costs, yet exercises sufficient oversight and control to maintain a safe and effective manufacturing facility. This process establishes business systems that reflect best industrial practices.

As discussed below, the facility strategy for the KCP has five major objectives to be implemented by the end of FY 2006:

1. reduce the physical size of the plant by consolidating and combining functional areas,
2. change the manufacturing methodology for most product lines from product-based to process-based,
3. outsource to commercial suppliers more of the products currently manufactured within the plant,

4. reduce infrastructure by eliminating and streamlining operating and administrative procedures, and
5. change business practices to more efficiently use resources.

Implementation of these objectives will significantly reduce annual operating costs since fewer resources will be required to sustain the facility and accomplish the plant's production mission. The objectives are interrelated, and an action in one component will usually allow for or assist actions in another component.

## **1. Facility Size**

Currently, the KCP occupies approximately 3.2 million square feet of floor space. One of the goals for the site is to reduce this space by approximately one-third, resulting in facilities of approximately 2.3 million square feet. Facilities downsizing activities are underway but will not be complete until 2006. These activities include consolidating and combining various manufacturing areas, laboratories, and offices. In addition, excess material and equipment will be eliminated to free up floor space for reallocation to more useful purposes. The intention is for the KCP to vacate two areas and return them to the General Services Administration control: (1) an entire building **C** the Technology Transfer Center **C** on the east boundary and (2) floor space on the west boundary that is contiguous to floor space occupied by other Government Agencies. Although this will result in the overall facility being smaller, all technological capabilities will be maintained. Facility and equipment capacity will be sufficient to support a START-I- sized stockpile.

## **2. Process-Based Manufacturing**

Many of the manufacturing operations at the KCP are currently organized around product lines. Separate manufacturing areas are set up to fabricate specific products; production operators are assigned to and trained for each area; manufacturing management is required for each area; and often, engineering staffs are dedicated to specific areas. While a product-based approach is usually very effective and efficient for high-volume production, it can be very inefficient for low-volume production. When the production volume is low and the product mix is complex (KCP's future environment), a product-based approach can result in duplicate sets of underutilized equipment, nonlinear workload within departments, unbalanced workload among departments, duplicate processes in different departments, and inefficient deployment of direct labor, engineering staff, and manufacturing management resources.

Process-based manufacturing will be deployed as extensively as possible to achieve more effective use of resources, with the targeted completion of the conversion by 2006, contingent upon the physical arrangement of the plant. As an example, in the Electronic



Products Business Unit, product lines will be concentrated in three fabrication modules: microelectronics, interconnects, and assembly.

### **3. Outsourcing**

The KCP already procures a significant number of products from commercial suppliers. This process will be expanded to procure some of the products now manufactured at the KCP from commercial suppliers. Increased use of outsourcing will be pursued by FM&T where it shows possibilities for greater cost effectiveness and manufacturing flexibility. Outsourcing will focus on product lines that have the following characteristics:

- a) In general, a commercial supplier base already exists for the basic commodity group (e.g., the machined metal parts industry).
- b) With low risk, the product design approach can be modified to utilize standard, commercially-available materials and processes.
- c) In-plant manufacturing capability involves significant facilities, equipment, or support resources. Thus, significant cost savings may be realized from outsourcing.

All outsourcing activities will be evaluated consistent with DOE's policy directives. Outsourcing activities have already been initiated for three product lines: printed wiring boards, multiwire cables, and machined metal parts. Qualified suppliers have been established for Joint Test Assembly (JTA) printed wiring boards; qualification lots are being procured for some multiwire cables; and qualified suppliers have been established for most metal products on the B61-11 program. Increased outsourcing activities are not immediately expected to impact the work force covered by this Plan. However, additional outsourcing activity may impact work force levels beginning in FY 1999 or FY 2000. Prior to implementing outsourcing activities that affect workers, these workers and other stakeholders will be consulted.

### **4. Operating and Administrative Procedures**

The size and cost of the infrastructure of the KCP exceed those of comparable production plants in commercial industry. An initiative is currently being implemented to rely less on DOE orders and more on industry standards in selected functional areas. Future planning will expand this initiative to assess all DOE-imposed requirements that impact the plant infrastructure.

Changes in both the DOE's involvement with the contractor and also DOE's approach to contractor oversight may reduce infrastructure costs associated with procedural operating requirements as procedures and requirements are reviewed and eliminated where they are determined to be unnecessary.

## **5. Business Systems and Practices**

KCP's Total Quality initiatives have been, and will continue to be, applied to streamline and simplify business processes so that they will function more efficiently. For example, FM&T's entire process of product quality management will be thoroughly reengineered to promote the principle that quality is built into products rather than being achieved through inspections.

## **Objectives of this Restructuring Plan**

1. Assure that KCP's core mission responsibilities continue to be carried out;
2. Accomplish the DOE-directed production workload which fully supports stockpile maintenance;
3. Assure maintenance of vital skills and knowledge already developed within the DOE contractor work force;
4. Retain an appropriately-sized work force with the skills necessary to continue the mission of applying manufacturing knowledge and skills, engineering, and science and technology to the DOE's programs;
5. Use reasonable means to assist employees to obtain gainful employment inside or outside the DOE complex;
6. Minimize negative impacts on employees;
7. Minimize the frequency of external, critical-skill hiring by maximizing the capabilities of the current work force through reassignment and, where appropriate, retraining; and
8. Minimize the impact of work force restructuring on the community through the use of voluntary reduction-in-force programs, thereby reducing the number of employees who separate involuntarily.

## **Work Force Planning**

The work force planning process addresses employee needs as well as business needs to meet KCP's developing mission requirements. Work force planning also adds value to the organization when business plans must be modified to deal with the unexpected. When such circumstances occur, the work force planning process provides information which is necessary to make manpower planning, training, or retraining decisions as well as staffing decisions.

The KCP has been affected by rapid changes in the world environment, which have drastically reduced the demand for its products and services. Further, budget and staffing

changes and uncertainties can be expected. Changing programmatic requirements are monitored, and work force requirements are adjusted as needed.

From the workload direction and budget guidance provided by DOE, KCP constantly monitors its resources to assure workload schedules are met. KCP conducts strategic planning that drives KCP's long-term objectives as well as the tactical decisions and actions necessary to achieve those objectives in a rapidly changing environment.

With guidance and support from the DOE, and in collaboration with the National Laboratories, technologies necessary to support stockpile maintenance have been analyzed. Facility and work force plans for implementing those technologies contain the flexibility necessary for KCP to retain and, when necessary, attract and hire the correct skill mix of employees to support stockpile maintenance.

Programmatic guidance and direction is provided by the DOE. This information is converted by FM&T into requirements for labor, material, and other costs to support the programmatic workload. Budget targets are also provided by the DOE. Imbalances between budget targets and program direction are resolved between DOE and FM&T as early as possible to allow work force plans to be adjusted.

The budget forecasting process at KCP has three principal components: Manpower, Production Material, and Other Costs.

1. Manpower requirements for direct hourly manufacturing and inspection labor are forecast from a determination of standard hours for each Core Stockpile Management (CSM) weapons component, or sub-component, extended by the number of components scheduled to be produced in each specified time period. These standard hours are then converted to full-time equivalents (FTEs) and priced for budgetary purposes. Requirements for non-CSM work are then estimated based on similar items produced or engineered based on known design information. Requirements for indirect hourly and salaried employees are then forecast by FM&T management based on programmatic guidance received for planned initiatives and services, as well as the manufacturing activities in support of DOE directive weapons schedules.
2. Production Material requirements are forecast using the Material Requirements Planning System which automatically defines schedules for weapons products in terms of the basic piece parts and other materials. This system then aggregates total, integrated material needs by time periods for efficient procurement. Projected costs are then compiled for budgets.

3. Other Costs are estimated by each department based on known manufacturing schedules and administrative needs, which include supplies, training, travel, and subcontracts.

The Manpower component of the budget is the most significant because it is, by far, the largest, representing more than half of the annual budget, yet it is the least dynamic. Moreover, purchase orders for materials and subcontracts for services can be modified, or even terminated, when programmatic changes occur. Manpower levels cannot respond as quickly because of lead times associated with the acquisition or termination of employees. Contributing to these lead times are 1) normal recruitment and hiring intervals; 2) time required to acquire necessary security clearances; and, when necessary, 3) work force restructuring policies and procedures.

From these planning systems, FM&T management projects the probable hiring (or downsizing) needs. Hiring projections are then translated by division management into individual employment requisitions which detail specific job classifications, related job requirements, and other information necessary to fill each position. Each requisition contains a check-off box to indicate whether the position is consistent with current workload and budget forecasts. If the position has not been previously budgeted, additional justification is required from division management. Frequent consultation between FM&T's President and Controller ensures that hiring is authorized only if it is consistent with current and anticipated workload and budget guidance. Every employment requisition is reviewed by the FM&T President and, if approved, forwarded to Human Resources staffing personnel to be filled.

### **Work Force Skills Profile**

The future KCP plans establish a process-based factory that is physically smaller and more efficient than today's product-based factory. Transition to a modified plant involves significant restructuring of the physical plant and downsizing of the work force. The remaining work force will exhibit a skill set that permits greater flexibility of assignments and tasks. This increased flexibility moves the KCP toward fewer hourly and salaried job classifications. Employees will have a broader range of skills instead of the more specialized expertise that exists today. The initial steps toward establishing this environment were taken in bargaining-unit contract negotiations that concluded in the fall of 1996. As a result of these negotiations, the number of job classifications was reduced by 21%, from 42 to 33.

*The 1997 Technology Plan* identifies four areas that represent crucial technology needs for a majority of future KCP products and services: optics (both low- and high-energy), materials science, simulation and modeling, and microelectronics and miniaturization. KCP has a limited number of skilled engineers in these areas, which represent core future capabilities. Building the KCP's capabilities in these four areas requires developing broader abilities throughout the organization, as well as establishing technical leadership. In some instances,

highly skilled engineers in these areas will be hired to augment the existing technical staff. However, ongoing development of existing technical staff will be the primary method used to advance KCP capabilities in core technology areas.

The expanding skill requirements of both non-technical and technical employees represent a significant shift from the more narrowly defined roles in existence today. The KCP work force will acquire these skills through continued training and development, as well as through limited hiring of individuals possessing unique skills.

## **FY 1997 and FY 1998 Work Force Restructuring**

The purpose of the recruiting, training, retraining, reduction and other aspects of the restructuring strategy is to develop responses to identified needs or surpluses. Responses normally include both organization-wide activities and programs designed to address the specific needs of various business units. In all staffing decisions, the KCP's objective is to apply the most cost-effective method to quickly meet DOE and other customer requirements.

The work force restructuring process is designed to meet work force planning objectives and to realign personnel appropriately as productivity improvements are achieved through reengineering, as programmatic changes occur, and as reductions in total overhead expenses are achieved. Personnel reductions are managed through this process to match the work force with the workload. In FY 1993, FM&T eliminated one management layer, resulting in a flatter and more efficient organization. Efforts were made as early as FY 1995 and throughout FY 1996 to aggressively reduce costs and minimize the effects of potential downsizing in the ensuing years, while retaining a work force with the skills necessary to fulfill the DOE mission. Processes were, and continue to be, reengineered to provide more cost-effective operations. To reduce the impacts of work force restructuring on the employees and the community, while controlling the size of the work force, the following additional steps have been taken:

1. Employees have been transferred into vacancies where reasonable skill matches exist.
2. An external hiring freeze has been implemented, exceptions from which require case-by-case approval by FM&T's President. Use of a requisition-based system allows targeting critical skill needs in a restricted external hiring environment.
3. Non-core business functions are being examined for outsourcing as discussed above.

Managers are urged to resolve openings and realignment issues within their own organizations prior to internal posting or external recruitment. Employees are encouraged to seek positions for which their skills are needed within the KCP. Retraining is available to facilitate that process. In the limited situations where jobs are released for external recruitment, FM&T first extends preference in hiring to impacted employees from other DOE sites, in accordance with the DOE Interim Planning Guidance for Contractor Work Force Restructuring, and then extends recruitment beyond FM&T and DOE.

## **Retraining Program for FM&T Employees**

Continuing education is encouraged and supported at KCP. Expenditures for educational assistance alone totaled over \$2.8 million in the past six years. Internal training is made available to employees on an as needed basis, to sharpen their current skills or learn new skills as appropriate.

In February 1997, a new centralized training organization was created within FM&T to achieve greater control of training and assure maximum benefit for the funds expended. This organization allows the implementation of only those training programs that are consistent with FM&T's Technology Plan, individual employee development plans, organizational needs, and mandatory training. Training programs for various plant positions have been developed. These programs are typically six weeks to six months in length. Training programs are led by experts in that field. Other training programs will be considered and developed as realignment requires. Orientation and job-specific training will be developed and provided by the applicable organizations to fit their specific needs in an effort to mitigate the adverse impact of an involuntary reduction-in-force on employees.

### **Need for a Reduction-in-Force in FY 1997**

The table below reflects the distribution of Common Occupational Classifications System (COCS) competencies as full-time equivalents at FM&T as of August 5, 1998. All FM&T jobs have been converted to the appropriate COCS job code within one of nine COCS job families. The projected headcount (HC) requirements in this section are aligned to support the FY 1998 workload projections available as of July 1998.

HC	CODE	CLASSIFICATION
308	C000	Crafts
721	E000	Engineers
217	G000	General, Administrative, Secretarial, and Clerical Support Staff
207	L000	Laborers and General Service Workers
301	M000	Gen Mgrs, Executives, First-Line Supers, & Program/Project Mgrs
262	P000	Professional Administrative & Related Occupations
696	R000	Operators
22	S000	Scientists
247	T000	Technicians
<b>2,981</b>		<b>Total KCP Employees</b>

Since early in the second quarter of FY 1997, it has been apparent that existing work force levels were greater than could be supported. KCP management took the initiative to curtail all but critical hiring. KCP management will continue to limit hiring only to critical positions and will use attrition to reduce the work force whenever possible. However, the work force will be reduced in FY 1998 slightly in advance of the schedule envisioned by the earlier downsizing plans.

Once a determination was made that work force reductions were necessary by FY 1998, the FM&T President worked with DOE to balance workload schedules with planned budgets, and initiated a work-force-skills-analysis process to identify positions where reductions could occur, as well as the type of skills that must be retained to fulfill programmatic requirements.

KCP's staffing level declined from 3,455 in April 1997 to 2,981 in the fourth quarter of FY 1998. KCP experienced 5.1% attrition between November 1996, and April 1997, and estimated at that time that staffing levels would be further reduced through attrition at a similar pace. This anticipated attrition rate was taken into account when estimates were developed to determine the size of the necessary reduction-in-force.

The following table lists the skill groups and numbers of employees where surpluses were estimated. These estimates were based on programmatic needs that match budget targets. Critically-skilled employees were retained. Excess position lists were developed and validated through a process that considers KCP mission requirements while ensuring fairness, consistency, and compliance with equal employment opportunity laws and directives.

## Impacted Positions

HC	COD E	CLASSIFICATION
30	C000	Crafts
72	E000	Engineers
41	G000	General, Administrative, Secretarial, and Clerical Support Staff
21	L000	Laborers and General Service Workers
37	M000	Gen Mgrs, Executives, First-Line Supers, & Program/Project Mgrs
30	P000	Professional Administrative & Related Occupations
100	R000	Operators
2	S000	Scientists
40	T000	Technicians
373		<b>Total Employees leaving the payroll through Voluntary-Reduction-In-Force (VRIF) &amp; Involuntary-Reduction-In-Force</b>

### ***Stakeholder Notification and Involvement***

The KCP and FM&T emphasize employee communications. The potential for a reduction-in-force of 400 to 700 positions in FY 1997/98 was announced to all KCP employees on March 7, 1997. On April 1, 1997, the internal FM&T news media announced appropriate ranges of reductions anticipated in the nine COCS families. A description of FM&T communication media relative to work force restructuring is included in Appendix A. DOE announced on June 12, 1997, that work force realignment at KCP would result in a reduction of approximately 700 jobs and that a work force restructuring plan would be developed to minimize the impacts of the realignment on employees and the community (Appendix B). Stakeholders had until July 18, 1997, to provide input to the draft plan, consistent with the consultation requirements of section 3161. There were six comments received on the draft plan, and the general consensus was that the benefits offered appeared very fair to AlliedSignal employees and the impact of the downsizing on the employees and community would be mitigated by implementation of this plan. The stakeholders who commented received a written response which addressed their comments, issues and concerns.

## **Separation Plans**

### ***Summary of Downsizing Process***

A two-phase approach was used to attain necessary reductions:

1. First, a voluntary reduction-in-force (VRIF) was offered to employees to encourage as many people as possible to leave from classifications where reductions were needed.
2. Second, since the necessary reductions in staffing were not attained through the VRIF program, an involuntary reduction-in-force (IRIF) was necessary.



The two programs are summarized below.

## **Voluntary Reduction-in-Force**

To mitigate the impact on the work force of potential involuntary reductions, a VRIF program was implemented in June 1997. The VRIF was designed to help align the work force by reducing specific jobs through the offering of separation incentive payments and other benefits to employees who volunteered to leave and, in so doing, saved the jobs of employees who would otherwise have been involuntarily separated. VRIF participants were offered separation incentive pay, outplacement and tuition assistance, and were eligible for Displaced Workers Medical Benefits if no other medical insurance was available. In addition, VRIF participants advertised their resumes and looked for jobs through the DOE Job Opportunities Bulletin Board System (JOBBS), but did not receive a preference-in-hiring, nor were they able to accept a position with a DOE-funded contractor for a period of one year as specified in the General Release and Waiver (Appendix C).

The VRIF package, as described in this section, was available to regular, full-time employees who volunteered and were approved for this program. FM&T reserved the right, at its sole and complete discretion, to deny any VRIF application due to operational needs. If it was determined that there were no impacted employees who possess the skills, knowledge, and abilities required to perform the VRIF applicant's continuing job duties, that employee's VRIF application was denied.

Employees who had received prior VRIF packages from other DOE sites, and employees with less than one year of service at FM&T from the date of the official announcement, were ineligible for the VRIF program. Employees who were discharged for cause prior to the date of their separation were also ineligible to participate in the VRIF.

## **Separation Pay**

All eligible employees approved to leave FM&T through the VRIF received 1.5 weeks base pay per year of service as of their last day worked with a maximum payment based on 27 years of service, or 40.5 weeks of base pay. Separation pay was calculated based upon years of continuous service for which prior separation pay had not been previously paid.

Employees accepted for the VRIF also received other benefits as described in the following pages.

In return, employees were required, as a condition for receiving enhanced benefits in the VRIF, to execute the General Release and Waiver (AAgreement@) attached at Appendix C, on the last day of their employment, and had seven (7) days after execution of the Agreement to revoke the Agreement. By executing the Agreement, employees participating in the VRIF waived legal claims (as set out in the Agreement) and waived any hiring preference under section 3161 and any other right they may have to preferential reemployment with FM&T, or any operations managed by FM&T. They also agreed not to accept employment for one year from date of separation, on projects managed or funded by DOE through a subcontract, including temporary employment service contracts, personal services subcontracts, general task order assignments, and indefinite quantity contracts. The scientist and engineer retiree corps program covered in DOE Order 350.1 is exempt from this restriction. This restriction also does not apply to operations conducted pursuant to fixed price subcontracts, as set forth in paragraph 1 of the Agreement. If the employee elected not to execute the Agreement, or if he or she rescinded his or her written claim to be bound by the terms of the Agreement, the employee did not receive the VRIF incentives but his or her employment was still terminated.

Applications for the VRIF program were accepted from June 30, 1997, through August 8, 1997, with separations effective October 1, 1997. Applicants were notified of their acceptance for the VRIF in early September 1997. There were 334 employees who applied for the VRIF and there were 330 applicants that were accepted in the VRIF program at a cost of \$11.3M.

### ***Involuntary Reduction-in-Force***

Since the VRIF did not yield an adequate number of separations from impacted job Afamilies,@ FM&T separated 43 employees involuntarily. FM&T began issuing individual IRIF notices in the middle of October 1997, with separations effective November 4, 1997, and November 5, 1997. Employees covered by a collective-bargaining agreement were selected consistent with the terms of that agreement. Should FM&T need to issue additional separation notices, it will provide notice consistent with the contract or collective-bargaining agreement as appropriate.

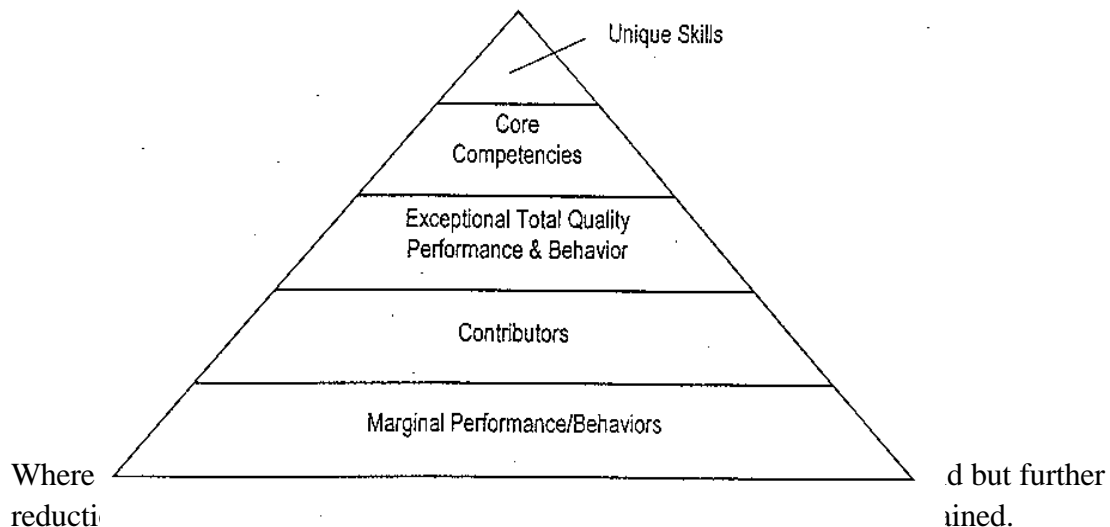
All FM&T salaried employees at KCP in job classification families where an involuntary reduction-in-force (IRIF) could occur were selected through the process utilized in the 1994 RIF, known as the pyramid approach. Some changes and refinements were incorporated to reflect the current business climate and areas of performance and behavior emphasis. Under the pyramid approach, employees who have demonstrated marginal performance or on-the-job behavior are selected first for separation in the RIF, and employees who are critical to the survival of the business or who have demonstrated exceptional performance and behaviors are selected last. Assessment of performance is based on existing documentation.

A pyramid was developed for each ARIF unit.@ A RIF unit is a group of employees who will be compared to each other for purposes of RIF selection. RIF units are groups of employees within the same job classification family and division who perform similar duties and who

may be reassigned to one of the remaining positions in the RIF unit following the reduction. RIF units may be defined by first or second level managerial unit, division, or some other grouping that satisfies these criteria. RIF units reflect the current organizational structure, ensure fairness to employees, and maximize FM&T's ability to effectively redistribute work following the RIF.

The placement of an associate within a RIF unit pyramid involves a three-stage process that begins with a manager's evaluation of employees that he or she directly supervises and the manager's identification of distinguishable employees for movement up or down within the pyramid. The second stage is the collaboration of management on the pyramid placement of employees. Management consults across departments, managerial units, and divisions, as appropriate, to corroborate the identification of employees in each tier of the pyramid. Human Resources representatives facilitate this collaboration to ensure consistency in application of criteria across divisions. These collaborators then make recommendations to the division director (or manager reporting to the President), who, in the final stage, submits recommendations to the Separation Committee for review and approval of all pyramid placements and RIF selections as a last check for consistency and fairness. Throughout this process, evaluation of relative performance is directly based on existing documentation of performance, e.g., employees' regular performance appraisals and awards.

The pyramid criteria are:



Randomly selected FM&T employees were convened in four focus groups to review the selection process against the following objectives: being fair, retaining critical skills, retaining employees with best performance and behavior, and keeping the process understandable and consistent across FM&T. Individual comments reflected a wide range of views on various details of the process. However, the overall feedback from the focus groups on the updated process was very positive.

A two-week formal notice period, or two-weeks' pay in lieu of notice, was provided for separated salaried employees. For hourly employees, the reduction-in-force procedures outlined in the respective collective-bargaining agreements were followed. In all cases where the Worker Adjustment and Retraining Notification Act (WARN) was applicable, 60 days advance notice, or pay in lieu of notice, was provided to the work force, and schedules were revised as needed. The requirements of DOE Order 350.1, Departmental Guidance on Work Force Restructuring, were fully complied with.

### **Severance Pay**

All eligible non-represented employees whose employment was terminated as a result of an IRIF received severance pay as specified below. Non-represented employees have no contractual re-employment or recall rights at KCP; however, these employees are given preference in hiring at DOE facilities under section 3161.

Pursuant to their collective-bargaining agreements, hourly employees represented for purposes of collective bargaining by the International Association of Machinist and Aerospace Workers, District Lodge #71, or by the Hotel Employees, Restaurant Employees, Local #64, are not entitled to severance pay upon involuntary separation from employment. Under their agreements, they are entitled to advance notice of separation and other benefits instead of severance pay. Hourly employees represented by the United Plant Guard Workers of America, Local #251, are entitled under their collective- bargaining agreement to severance pay equivalent to that provided to salaried employees. All eligible represented employees are given preference in hiring at DOE facilities under section 3161. Both represented and non-represented impacted employees may also receive other benefits as described in the following pages.

Length of Service	Separation Allowance as a % of Base Monthly Salary <sup>1</sup>
Less than 1 year	None
1 year up to 3 years	50
3 years up to 4 years	75
4 years up to 5 years	100
5 years up to 6 years	125
6 years up to 7 years	150
7 years up to 8 years	175
8 years up to 9 years	200
9 years up to 10 years	225
10 years up to 11 years	250
11 years up to 12 years	285
12 years up to 13 years	320
12 years up to 14 years	355
14 years up to 15 years	390
15 years up to 16 years	425
16 years up to 17 years	460
17 years up to 18 years	495
18 years up to 19 years	530
19 years up to 20 years	565
20 years and over	600

There were 23 nonrepresented employees and 20 represented employees who received involuntary separation notices at a cost of approximately \$510,000.

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<sup>1</sup> Base Monthly Salary means the employee's base monthly salary in effect immediately prior to the date of separation. An employee who has been previously separated from employment and who is subsequently reinstated to employment with credited service and who is again separated under conditions that entitle the employee to a separation payment shall be paid a separation allowance based on the employee's "Base Monthly Salary" and total credited service, provided that the amount of this payment shall be reduced by the amount of any separation payments(s) previously paid.

# Benefits for All Separating Employees

## *Benefits Matrix for Separated Employees*

PROGRAM	VOLUNTARY REDUCTION IN FORCE (VRIF)	INVOLUNTARY REDUCTION IN FORCE (IRIF)
Severance/Separation Incentive Pay	Separation incentive pay equal to 1.5 weeks base pay times years of service up to 27 years service <b>Maximum of 40.5 weeks pay</b>	Pay as described in this Plan
Outplacement Assistance	YES	YES <sup>1</sup>
DOE Resume Databank (JOBBS)	YES	YES
Employee Assistance Program	YES, two (2) years	YES, two (2) years
Displaced Workers Medical Benefits	YES <sup>2</sup>	YES <sup>2</sup>
Educational Assistance (Reimbursement)	\$10,000 maximum over a four (4) year period	\$10,000 maximum over a four (4) year period
Relocation Assistance	NO	Up to \$5,000
Preference in Hiring at Other DOE Facilities	NO	YES, for eligible workers

<sup>1</sup>Can initiate participation of receipt of IRIF notice.

<sup>2</sup>First year same rate as active employees (under the collective bargaining agreements, for involuntarily separated hourly employees, company pays 100% of premium for first six month); second year 50% of COBRA rate; third year and thereafter 100% of COBRA rate.

## Outplacement Assistance

Employees leaving under either the VRIF or the IRIF were offered on-site outplacement assistance, which was available through March 1998. An outplacement firm used extensively by other DOE sites, StarAccess, provided a full range of outplacement services, including performing job searches, developing and maintaining job leads, assisting with resume creation, reproduction and mailing, maintaining job market information, publicizing terminated workers' skills, and facilitating registration with government bureaus and services. A Career Transition Center was available and had phone lines, computers, and copy machines as part of the outplacement services. Employees using the Career Transition Center were offered workshops on topics such as resume writing, interviewing skills, career assessment, job search techniques, and personal financial counseling. Training at FM&T is available on such topics as conflict management and survival skills for remaining employees.

## ***Job Opportunities Bulletin Board System (JOBBS)***

JOBBS is a database maintained by DOE at contractor sites that: a) lists vacancies throughout the DOE complex; and b) allows employees who have been terminated as a result of downsizing within the complex to advertise their skills. Employees who elect to place their resumes in JOBBS will be considered for hire at the DOE facilities before applicants from outside the DOE complex are hired.

JOBBS is available at FM&T's Personnel Administration Department to all employees separating from employment voluntarily or involuntarily and is designed to expedite redeployment among DOE sites. Employees who have separated voluntarily and who have signed the Agreement are ineligible for DOE-funded employment for a period of one year. Involuntarily separated employees, who meet the job attachment test at Appendix D, are entitled to receive the DOE department-wide hiring preference.

## ***Employee Assistance Program***

The Employee Assistance Program was available to all separating employees to seek assistance regarding financial or emotional concerns. This benefit will be available for employees for up to two years after separation.

## ***Displaced Workers Medical Benefits***

Employees leaving under either the VRIF or the IRIF may be eligible for medical coverage under the DOE Displaced Workers Medical Benefits Program (DWMBP), provided they are not eligible for coverage under another employer's group health plan, a spouse's group health plan, FM&T's Retiree Medical Plan, or Medicare. The FM&T health care coverage for active employees terminates at the end of the month in which the employee separates from employment. Beginning the next month following the month of separation, and for a period of 12 months, FM&T continues to pay the employer portion of the medical premium share and the displaced employee is billed for the employee portion of the applicable monthly premium, depending on the type and level of coverage the employee has at separation. During the second year after termination, the displaced employee will be responsible for one-half of the full Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) rate for this coverage, with FM&T paying the remainder. The COBRA rate is 102% of the full cost of coverage (including employee and employer portions). In the third **and** subsequent years, the displaced employee will be responsible for paying the full COBRA rate.

If a displaced employee is eligible for coverage from another employer, but that employer's coverage contains a pre-existing condition limitation or exclusion, the displaced employee is allowed to receive coverage for the pre-existing condition under the extended medical coverage under the DWMBP until the pre-existing condition limitation or exclusion period is satisfied. Similarly, the displaced employee may continue coverage under the DWMBP during any waiting period before coverage under a new plan is effective.

Alternatively, departing employees may elect to continue medical coverage under COBRA. Those employees receive a separate notice of COBRA benefits. If the departing employee is eligible and elects to continue medical benefits under the DOE Plan, or under COBRA, the employee's payment is due on the first day of each month, and if payment is not received by the 20th day of that same month, the insurance is canceled and medical coverage ceases. The employee's share of the monthly premiums and the COBRA rates may change annually.

Approximately 59 displaced employees are using this program at a cost to DOE of \$89,986 for the first year, and 40 displaced employees are expected to continue coverage through the second year at a cost to DOE of \$60,000. Total costs are estimated at \$149,986.

#### **Educational Assistance**

Employees leaving under either a VRIF or an IRIF are eligible for reimbursement of educational expenses up to \$10,000 over a four-year period. This may be used to cover tuition, required books and lab fees for the successful completion of a course of study which is likely to lead to increased employment opportunities. Consistent with the established contractor policies for the preapproval of reimbursement of educational expenses, applications will be approved only for courses of study which can reasonably be expected to lead to other employment. Former employees are encouraged to attend accredited degree programs at two- or four-year educational institutions or accredited trade or vocational schools. Programs that do not offer reasonable value for the expenses incurred will not be approved.

Based on past experience, total costs for this assistance are estimated at \$559,300 over a four-year period.

## **Benefits Available Only to Involuntarily Separating Employees**

### ***Relocation Assistance***

Employees leaving under an IRIF may be eligible for up to \$5,000 in relocation assistance for shipment of household goods, mileage for vehicles driven to the new location, meals and lodging en route, and temporary living accommodations (14 days). To be eligible, the displaced employee must obtain employment at, and move to, another DOE facility within one year of his or her separation date and not qualify for similar relocation assistance under the hiring facility's policies.



## ***Preference-In-Hiring***

Pursuant to the February 1996 Interim Planning Guidance for Contractor Work Force Restructuring, employees separating involuntarily from employment at a DOE defense nuclear facility are entitled to receive a continuing preference in hiring, to the extent practicable, at any DOE facility for jobs for which they are qualified or may become qualified before starting work. The preference-in-hiring flows down to subcontracts at any tier if the subcontract is expected to exceed \$500,000, except for subcontracts for commercial items pursuant to 41 U.S.C. 403 or fixed-price contracts or purchase orders for supplies, equipment, materials, or commodities.

## ***Cost and Savings Estimates***

In light of the VRIF, the IRIF, assignments to another DOE site, and budget changes, 373 employees left the KCP work force from October 1997 through the date of this Plan. Following is a summary of estimated costs and savings associated with FY 1997 and FY 1998 work force restructuring. Where appropriate, the costs are allocated through FY 2000. Savings are allocated only on an annual basis.

The number of employees to leave FM&T is 373, all of whom are expected to be eligible for some level of benefits. The total costs associated with FY 1997/1998 work force restructuring are estimated to be approximately \$13.3M over four years.

<b>BENEFIT</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
VRIF Payments	\$11,212,033	\$0	\$0	\$0
IRIF Payments	390,444	0	0	0
Displaced Worker Medical Benefits Program	89,986	60,000	0	0
Educational Assistance	139,825	139,825	139,825	139,825
Total Costs	11,832,288	199,825	139,825	139,825
<b>Total Four-Year Cost Impact</b>				<b>\$12,311,763</b>
<b>Estimated Cost Per Job Loss</b>				<b>\$33,007</b>
<b>Annual Estimated Savings</b>				<b>\$22,464,000</b>
<b>Annual Estimated Savings Per Job Loss</b>				<b>\$60,066</b>

## Conclusion

This Work Force Restructuring Plan includes the objectives and programs to meet the requirements of the National Defense Authorization Act for FY 1993 with regard to mitigating the impact of downsizing on workers and their communities. This Plan is responsive to the need for work force restructuring at KCP. This Plan will be updated annually and supplemented as significant work force changes dictate in future years.

It was clear that the KCP needed to reduce the work force by 373 FM&T employees in FY 1998. Benefits were offered to displaced employees to mitigate the effects of the manpower reduction and in the hope of minimizing the need for involuntary separations. It is estimated that approximately \$22.5M in annual savings was realized from this restructuring, as a result of decreased payroll and associated benefits. It is currently anticipated that any further adjustments that may be required during the next few years can be managed without the need to utilize enhanced voluntary separation programs or to institute involuntary separations.

## Appendix A: Employee Communication at FM&T

FM&T has a history of providing employees with a nearly constant stream of communications in an effort to have a work force capable of making informed decisions. A full media mix of information vehicles is used to assure that workers are informed in a timely and accurate manner, including formal and informal meetings with management, live and taped television broadcasts, newsletters, newspapers, information posted on standard and electronic bulletin boards as well as an internal Web site. The following is a description of media at FM&T:

- ✂ **NewsBreak C** Twice-weekly newsletter distributed plant-wide in print form and on-line through FM&T's intranet.
- ✂ **Quest C** Monthly newsmagazine available to all employees in print form and also available on-line through intranet.
- ✂ **CCTV C** The plant's internal closed-circuit television network, capable of broadcasting live or videotaped programs in addition to the plant's weekly TV newscast.
- ✂ **PPC Presentations C** The Program Presentation Center is the plant's 200-seat auditorium where meetings and special programs are held. It is equipped with television broadcast capabilities and is frequently used as the backdrop for all-employee meetings which are televised throughout the KCP.
- ✂ **Comments, Please! C** A recorded call-in line available for employees to pose questions or comments to management anonymously and, if they wish, receive a written response.
- ✂ **Two-Way Communication C** The plant's face-to-face communication program, in which managers are strongly encouraged to spend at least 60 minutes a month in face-to-face communication with their direct subordinates. At the beginning of each month, Public Affairs provides managers with possible topics to use as a basis for their conversations.

## Appendix B: DOE General Announcement

Department of Energy  
Albuquerque Operations  
Kansas City Area Office  
P.O. Box 410202  
Kansas City, Missouri 64141

### **Work Force Restructuring announced at Kansas City Plant**

KANSAS CITY, MO (June 12, 1997) -- The Department of Energy's (DOE) Albuquerque Operations Office today announced plans to begin the process for restructuring the work force at the Kansas City Plant. AlliedSignal Federal Manufacturing & Technologies (FM&T) operates the plant for the DOE. It is anticipated that up to 700 positions may be affected.

A draft work force restructuring plan has been developed, consistent with section 3161 of the 1993 National Defense Authorization Act. Representatives from the DOE's Albuquerque Operations Office and FM&T will consult with stakeholders to refine the plan in an effort to mitigate the impact of the work force reduction on the plant's associates and the Kansas City area community.

The draft plan will contain a voluntary reduction in force program with incentives. The plan also describes provisions for an involuntary reduction, including displaced workers medical benefits, preference in hiring, tuition assistance, job placement assistance, and relocation assistance for eligible workers.

The draft work force restructuring plan detailing the reduction at the KCP will be available shortly for stakeholder review and comment at the plant, 2000 E. 95<sup>th</sup> Street, and at the Blue Ridge Branch of the Mid-Continent Public Library, 9253 Blue Ridge Blvd. Copies may also be obtained by calling (816) 997-2161.

Stakeholders will have until July 11, 1997, to provide written comments to the Department of Energy. Direct comments to David Hampton, DOE Kansas City Area Office, 2000 E. 95<sup>th</sup> St., Kansas City, MO 64141.

## Appendix C: General Release and Waiver

This Voluntary Reduction in Force Program, General Release and Waiver (AAgreement@) is entered into by and between \_\_\_\_\_ (AEmployee@) and FM&T (AEmployer@), as part of Employee's voluntary election to terminate employment with the Employer.

In exchange for the promises set forth below, the parties agree as follows:

1. Employee voluntarily terminates his/her employment with Employer effective \_\_\_\_\_. Absent the express written authorization of the DOE, Employee agrees not to seek employment with or become employed by the Employer or any other future or current contractor or subcontractor to the DOE on work performed under a contract with the DOE for a period of one (1) year from the date of Employee's separation. This includes, but is not limited to, temporary employment service contracts, general task order assignments, indefinite quantity contracts, basic ordering agreements, and consultant contracts. However, this does not preclude Employee from employment with a company which is providing supplies, equipment, materials, or commodities for a DOE Facility under a fixed-price contract or purchase order and whose primary business activities are not in support of such DOE facility.
2. Employee agrees that the Employer has no obligation to re-employ Employee in the future, and Employee waives any recall, rehire, or rehire preference rights, such as those that may arise under Section 3161 of the National Defense Authorization Act for Fiscal Year 1993. Employee agrees to perform all steps required by Employer's policies and procedures at the separation of his or her employment.
3. Except as set forth in Paragraph 4 below, Employee, on behalf of himself or herself and any person or entity entitled to sue on Employee's behalf, waives and releases Employer, its parents, subsidiaries, and affiliates, the DOE, and their employees, officers, directors, shareholders, agents, and successors from any causes of action or claims, whether known or unknown, that arise out of the Employee's resignation and separation of employment with Employer and any causes of action or claims that arise out of Employee's employment with Employer, up to and including the date of Employee's resignation, under any federal, state or local law, including but not limited to the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act of 1990, Title VII of the 1964 Civil Rights Act, the Equal Pay Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, and the Americans with Disabilities Act, or applicable state or local law. Employee will not assert any claim or cause of action released under this agreement in any administrative or judicial proceeding.

**4. HOWEVER, Employee does not waive:**

- i. any causes of action or claims that arise out of Employee's employment with Employer, up to and including the date of Employee's separation, that have been asserted in writing and filed with the appropriate agency or court prior to June 23, 1997;
- ii. any rights or claims that may arise after the date this Agreement is executed,
- iii. any claims relating to pension or retiree health benefits that currently may be accrued under the Company's standard retirement program;
- iv. any claims under any applicable state worker's compensation laws; or
- v. any claims for occupational injuries or illnesses arising from Employee's employment with Employer that are not known or reasonably knowable by the Employee at the time of the execution of this Agreement.

5. In exchange for Employees voluntary separation and execution of this Agreement, Employer will give Employee the consideration and benefits outlined in the description attached to this Agreement.
6. If Employee becomes employed as prohibited in Paragraph 1, or otherwise violates any provision of this Agreement, then, in addition to any other remedies Employer has under this Agreement, Employer may require Employee to repay a portion or all of the payments or other benefits under this Agreement, and Employee agrees to such repayment.
7. **Employee has been advised to consider this Agreement and to consult with an attorney of his or her choice, and Employee has had the opportunity to do so. Employee has had the right to consider this Agreement for a period of at least forty-five (45) days prior to entering into this Agreement and has done so, or has expressly requested that his or her application be granted prior to the expiration of the forty-five (45) days. Employee has the right to revoke this Agreement for a period of seven (7) days following execution of this Agreement by giving written notice to the Manager, Human Resources. If Employee revokes the Agreement, it shall not be effective and enforceable, and Employee will not receive any of the benefits described in Paragraph 5. Employee has read and understands the terms and contents of this Agreement, and Employee freely, voluntarily, and without coercion enters into this Agreement and agrees to be bound by its terms.**
8. This Agreement constitutes the entire understanding and agreement of Employee and Employer and can only be modified in writing agreed to by both parties.
9. Employee has received all of the information required to be disclosed in these circumstances under the Age Discrimination in Employment Act regarding who is covered by the Program, the eligibility factors, the time limits of the Program, the ages and job titles of everyone eligible for the Program, and the ages of ineligible employees in the same job classification or organizational unit.

<p><b>Please read this agreement carefully. It contains a release of known and unknown claims as described in Paragraph 3 above, subject to the limitations expressly set forth in Paragraph 4.</b></p>
---

Agreed to:

\_\_\_\_\_  
Employee/Date

\_\_\_\_\_  
Employer/Date

## Appendix D: Job Attachment Test

In implementing the objectives of section 3161 of the National Defense Authorization Act for FY 1993, the Department of Energy recognizes a special responsibility to minimize the impact of work force restructuring on employees who participated in efforts to maintain the Nation's nuclear deterrent during the Cold War. September 27, 1991, the day President Bush announced the first unilateral reduction of the Nation's nuclear weapons stockpile, has generally been recognized by the Department as the end of the Cold War.

In general, employees who meet the job attachment test discussed below should be eligible for most benefits offered in a work force restructuring plan. However, the benefits offered at a specific site should be tailored to specific conditions, to the demographics of the workers at that site, and must be practicable and reasonable with respect to budget constraints, contractual provisions, and other obligations. Thus, those who meet the job attachment test are not likely to be offered exactly the same benefits at all sites.

To identify employees who helped maintain our nuclear deterrent during the Cold War, the criteria listed below should be followed at all sites:

### **A. Regular Employees:**

1. must have been working at a defense nuclear facility on September 27, 1991;
2. must have worked full-time (or regular part-time) at a facility from that date through the date of notification of the need for work force restructuring; and
3. must accept a voluntary separation incentive or have been involuntarily separated.

### **B. Intermittent Workers, Including Construction Workers:**

1. must have worked at a defense nuclear facility on or before September 27, 1991;
2. must have worked at a facility within 180 days preceding the work force restructuring notification;
3. must have worked at a facility a total time, including time worked prior to September 27, 1991, equivalent to an employee having worked full-time from September 27, 1991, to the date of the work force restructuring notification, or

have actually worked the industry standard of full-time from September 27, 1991, through the date of the notification; and

4. must have been affected by the announced restructuring within one year. For an intermittent worker, this includes the interruption of a project before its anticipated completion, or the completion of the assignment or project without prospect for a follow-on assignment at the site where the employee had a reasonable expectation of a follow-on assignment.